



**8011-01p**  
**SECURITIES AND EXCHANGE COMMISSION**

**17 CFR Part 275**

**[Release No. IA-4532; File No. S7-16-16]**

**Political Contributions by Certain Investment Advisers: Ban on Third-Party Solicitation;  
Order with Respect to FINRA Rule 2030**

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Order.

**SUMMARY:** The Securities and Exchange Commission (“Commission” or “SEC”) is issuing an order finding that Financial Industry Regulatory Authority (“FINRA”) rule 2030 (the “FINRA Pay to Play Rule”) imposes substantially equivalent or more stringent restrictions on broker-dealers than rule 206(4)-5 (the “SEC Pay to Play Rule”) under the Investment Advisers Act of 1940 (the “Advisers Act”) imposes on investment advisers and is consistent with the objectives of the SEC Pay to Play Rule.

**DATES:** This Order was issued by the Commission on September 20, 2016.

**ADDRESSES:** Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, D.C. 20549-1090.

**FOR FURTHER INFORMATION CONTACT:** Sirimal R. Mukerjee, Senior Counsel, Melissa Rovers Harke, Senior Special Counsel, or Sara Cortes, Assistant Director, at (202) 551-6787 or [IArules@sec.gov](mailto:IArules@sec.gov), Investment Adviser Regulation Office, Division of Investment Management, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-8549.

**SUPPLEMENTARY INFORMATION:** The SEC Pay to Play Rule [17 CFR 275.206(4)-5] under the Advisers Act [15 U.S.C. 80b] prohibits an investment adviser from providing advisory

services for compensation to a government client for two years after the adviser or certain of its executives or employees (“covered associates”) make a contribution to certain elected officials or candidates. Rule 206(4)-5 also prohibits an adviser and its covered associates from providing or agreeing to provide, directly or indirectly, payment to any third-party for a solicitation of advisory business from any government entity on behalf of such adviser, unless such third-party is a “regulated person” (“third-party solicitor ban”). Rule 206(4)-5 defines a “regulated person” as an SEC-registered investment adviser, a registered broker or dealer subject to pay to play restrictions adopted by a registered national securities association that prohibit members from engaging in distribution or solicitation activities if certain political contributions have been made, or a registered municipal advisor subject to pay to play restrictions adopted by the Municipal Securities Rulemaking Board that prohibit members from engaging in distribution or solicitation activities if certain political contributions have been made. In addition, in order for a broker-dealer or municipal advisor to be a regulated person under rule 206(4)-5, the Commission must find, by order, that these pay to play rules impose substantially equivalent or more stringent restrictions on broker-dealers or municipal advisors than the SEC Pay to Play Rule imposes on investment advisers and are consistent with the objectives of the SEC Pay to Play Rule.

On December 16, 2015, the Financial Industry Regulatory Authority (“FINRA”) proposed a rule change (Exchange Act Rel. No. 76767 (Dec. 24, 2015) [80 FR 81650 (Dec. 30, 2015)]) to adopt the FINRA Pay to Play Rule, which would establish pay to play rules for its member firms. On August 25, 2016, the Commission approved the FINRA Pay to Play Rule (Exchange Act Rel. No. 78683 (Aug. 25, 2016) [81 FR 60051 (Aug. 31, 2016)]).

On August 25, 2016, the Commission also issued a notice of intent to issue an order (Investment Advisers Act Rel. No. 4511 (Aug. 25, 2016) [81 FR 60653 (Sept. 2, 2016)]) finding that the FINRA Pay to Play Rule imposes substantially equivalent or more stringent restrictions on brokers-dealers than the SEC Pay to Play Rule imposes on investment advisers and is consistent with the objectives of the SEC Pay to Play Rule. The notice gave interested persons an opportunity to request a hearing and stated that an order would be issued unless a hearing was ordered. The Commission has not received a request for a hearing.

ACCORDINGLY, THE COMMISSION HEREBY FINDS that the FINRA Pay to Play Rule imposes substantially equivalent or more stringent restrictions on broker-dealers than the SEC Pay to Play Rule imposes on investment advisers and is consistent with the objectives of the SEC Pay to Play Rule.

By the Commission.

Dated: September 20, 2016.

Brent J. Fields,  
Secretary.

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